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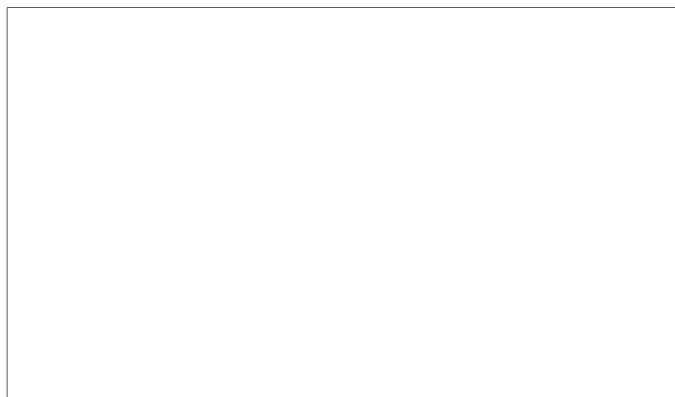
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1. ARAB "SUMMIT" COMMUNIQUE

Comment on:

The communiqué issued following the conclusion of the meetings of the four Arab chiefs of state in Cairo glosses over serious differences of opinion which arose during later stages of the talks. The statement gives some details on King Saud's report of his talks in the United States. The four leaders reaffirm, however, their "determination" to "abide by the policy of constructive neutrality." The remainder of the communiqué is a reiteration of Arab grievances against Israel and a protest against the actions of the British in Yemen and the French in Algeria.

On 26 February a dispute reportedly arose between Nasr and Syrian president Quwatli on one side and King Saud on the other over Saud's insistence that the communiqué state clearly that the Arab leaders appreciate the friendly stand of the American government toward problems facing the Arabs. Nasr and Quwatli argued that the Arabs should save such outspoken pro-Western statements as a bargaining point to obtain further American concessions, and at one point Saud threatened to leave Cairo in a huff.

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2. SUKARNO AND COMMUNISTS CALL ON MOBS TO INTIMIDATE OPPONENTS

[REDACTED] President Sukarno and Indonesian Communists have called for another mass rally in Djakarta on the morning of 28 February, when all party leaders are

[REDACTED] to announce their stands on the president's new concept of government, [REDACTED] In an effort to intimidate the opposition leaders, loudspeakers have been set up so that their decisions can be heard publicly by the mobs outside the palace, and those who reject Sukarno's plans will have to pass through crowds of angry demonstrators upon leaving the palace.

The Mobile Brigade, an anti-Communist police force whose strength in Djakarta has recently been reduced from ten to six companies, is uncertain of its capabilities in the face of possible mob violence and unpredictable army action. [REDACTED] the brigade has been confined to barracks in order to avoid a possible clash with Djakarta army units.

[REDACTED] SOBSI--the Communist labor federation--is making preparations to launch a general strike throughout Indonesia if the Communists are not permitted to participate in the next cabinet, or if former vice president Hatta becomes a member of either the council or the cabinet. A Communist veterans' organization, PERBEPsi, is forming armed units to protect striking workers and intimidate nonstrikers.

Sukarno's adamant stand for inclusion of Communists in a new cabinet is indicated by a report of his violent rage when a political leader criticized his concept,

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specifically the participation of Communists in the new cabinet. Sukarno allegedly pounded the table, knocked files off his desk, and ordered the visitor never to return to the palace.

Comment

All reports indicate that law and order in the capital has deteriorated to an alarming extent. The council, and Communist participation in it, appear now to have been accepted by the opposition, although some resistance continues on the issue of Communist inclusion in the cabinet.

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3. CONTINENTAL OPPOSITION TO BRITISH FORCE CUTS HARDENS



Allied disagreement with the British troop reduction plans in Germany was even stronger in the Western European Union council meeting on 26 February than at

the North Atlantic Council meeting last week, Britain's NATO representative told an American embassy official. London's insistence on a time schedule calling for NATO and WEU decisions within two weeks was also criticized as leaving little time for working out a compromise. The embassy notes, however, that the opposition has not yet implied an intention of rejecting the British proposal under the terms of the Paris agreements.

The embassy believes, from Foreign Secretary Lloyd's remarks on 26 February to an American official, that Britain will "at the right time" agree to phase the force reductions into 1959. This would meet one of SACEUR's recommendations, but leave unsatisfied his wish to have part of the British strategic reserve stationed in Germany rather than in the United Kingdom.

The embassy gained the impression of a general preference for the North Atlantic Council as a forum, where American participation might provide some policy guidance.

Comment

Both London and the opposition are proving more unyielding than anticipated--as suggested also by the suspension of the WEU session after only one of the scheduled two days of meetings. London's insistence on a tight time schedule is largely determined by Britain's budgetary planning requirements for the fiscal year that begins on 1 April.

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4. HUNGARY CLAMPS DOWN ON ACCESS TO WESTERN LEGATIONS



A barrier of police and plain-clothes men has been thrown around the American, Austrian, French and British legations in Budapest. All Hungarians visiting these missions are being stopped and questioned. Officials of the British legation have been followed by plain-clothes men and asked by the uniformed police to produce credentials.

The first anti-American poster seen in Budapest since the spring of 1955 has appeared, and a Hungarian reported that upon leaving the American legation, he was searched for weapons and "pressed to admit" that the legation was handing out firearms.

Comment

This all-out campaign coincides with security precautions against possible demonstrations against the regime on the national holiday on 15 March. It is designed to isolate and discredit the Western missions, to demonstrate that the regime has control of the internal situation, and to force the West to deal with the Kadar government.

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5. CONFIDENCE VOTE THREATENS ITALIAN GOVERNMENT

Comment on:

The confidence vote tentatively scheduled for 28 February in the Italian parliament is an attempt by Christian Democratic premier Segni to test his majority following the Republican Party's announcement on 24 February that he can no longer count on its support. The Republicans are not represented in the cabinet, but their five votes in the Chamber of Deputies have constituted part of the coalition's 16-vote majority. A vote of no confidence could result in new national elections.

The Republicans object to various government policies, including pending land reform legislation as now drafted, an objection shared by the Democratic Socialists and the Christian Democratic left wing. The American embassy in Rome believes that chances of a crisis are increased by Segni's reluctance to compromise and the Social Democrats' fear of becoming the only left-center party supporting the government. On the other hand, most coalition parties will wish to avoid being blamed for hastening national elections or delaying ratification of the Common Market and EURATOM.

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6. PRESSURE GROWS FOR DEVALUATION OF FRENCH FRANC

Comment on:



The pessimism in Paris over France's falling foreign exchange reserves is reflected in the growing pressure from the powerful French employers' organization, the Patronat, for devaluation of the franc. A spokesman for the organization has told the American embassy that the Patronat strongly favors devaluation to solve France's balance of payments problem, provided such a move is accompanied by real cuts in government spending.

The government publicly warned on 22 February that France faces exhaustion of its normal foreign exchange reserves within one month if the January record trade deficit of \$174,000,000 is continued. The American embassy in Paris points out that the January deficit was swollen by deferred purchases of oil and other items resulting from the Suez crisis, but agrees that the foreign exchange situation is increasingly serious.

7. EGYPT PLANS BROADCASTS TO FRENCH AFRICA

Comment on:

Egypt's plans to increase its propaganda efforts in Africa indicate that Cairo seeks to increase pressures on Britain and France in the area. In addition to previous reports of stepped-up propaganda broadcasts to British East Africa, [REDACTED]

The attaché in Rabat was ordered on 12 February to keep Cairo notified in detail concerning the "revolt" in the Mauritania area of French West Africa. On 6 February, Cairo had requested its attaché in Madrid to send continuous information by "priority" means concerning French Equatorial Africa so that broadcasts might be directed to the area.

The "revolt" in Mauritania refers to several incursions by elements of the irregular Moroccan Army of Liberation to further Morocco's claim to extensive desert areas of French West Africa. [REDACTED]

[REDACTED] Egypt may be seeking to encourage further Moroccan raids as a diversionary tactic to draw off French troops from the conflict in Algeria.

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8. SOUTH VIETNAM INCENSED OVER ANTI-DIEM FORCES IN CAMBODIA

Comment on:

The apparent conviction of Saigon leaders that the recent attempted assassination of President Diem is attributable to anti-Diem Vietnamese in Phnom Penh may provoke reprisals against Cambodia. Diem himself believes that the growing Communist influence in Cambodia as a result of Prince Sihanouk's policies fosters the activities of these elements and poses a serious subversive threat to South Vietnam. In this connection, [redacted]

[redacted] he arrest of two Vietnamese army officers and two French civilians for allegedly plotting to organize an army "coup" in concert with anti-Diem elements in Cambodia.

Saigon has long been frustrated by its inability to suppress harassing attacks by dissident sects and Viet Minh bands using Cambodian territory as a base of operations. Last August, Diem suggested to the anti-Communist Cambodian war lord Dap Chhuon [redacted] a punitive raid across the Cambodian border against "Viet Minh guerrillas." Although nothing materialized, the two men have continued secret liaison which the American embassy in Saigon suspects may be aimed at removing Sihanouk from power. A direct meeting between Diem and Dap Chhuon, now Cambodian minister for national security, was scheduled for last week.

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9. BRITISH VIEWS ON CYPRUS ISSUE

Comment on:

[redacted] The British apparently do not intend to take the initiative under the 26 February UN General Assembly resolution toward serious negotiations for a Cyprus settlement. As a tactical maneuver, London may suggest that the North Atlantic Council discuss Cyprus, but [redacted] that the terms of reference should not "permit NATO to move too far into substance." In any case, British officials appear unreceptive to any modification of their Cyprus policy.

Despite growing criticism by the British press of the government's policy--echoed by some officials below the cabinet level--London evidently intends to limit itself to eliminating terrorism and then implementing the Radcliffe constitution providing for some self-government.

[redacted]